

FAYETTE COUNTY
DISASTER RECOVERY TEAM

AUDITED FINANCIAL STATEMENTS
For The Year Ended December 31, 2018

FAYETTE COUNTY
DISASTER RECOVERY TEAM

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MEDACK & OLTMANN, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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Texas Society of
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fayette County Disaster Recovery Team

We have audited the accompanying financial statements of Fayette County Disaster Recovery Team (a nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fayette County Disaster Recovery Team as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note1 to the financial statements, LOMT adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended December 31, 2018. The requirements of the ASU have been applied retrospectively. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Medack & Oltmann, LLP". The signature is written in a cursive, flowing style.

Medack & Oltmann, LLP
Giddings, Texas
August 29, 2019

FAYETTE COUNTY DISASTER RECOVERY TEAM
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets

Cash & Cash Equivalents	\$ 2,541,182
Grants Receivable	72,470
Total Current Assets	<u>\$ 2,613,652</u>

Fixed Assets

Construction in Progress	\$ 194,963
Land for Development	499,687
RV's	12,409
Accumulated Depreciation	<u>(1,861)</u>
Total Fixed Assets	<u>\$ 705,198</u>

Other Assets

Client Building Costs	\$ 98,656
Total Other Assets	<u>\$ 98,656</u>

Total Assets	<u><u>\$ 3,417,505</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 30,925
Accrued Payroll Liabilities	7,797
Total Current Liabilities	<u>\$ 38,722</u>

Total Liabilities	<u><u>\$ 38,722</u></u>
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Net Assets

With Donor Restrictions	\$ 2,545,960
Without Donor Restrictions	832,823
Total Net Assets	<u>\$ 3,378,783</u>

Total Liabilities and Net Assets	<u><u>\$ 3,417,505</u></u>
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See Accompanying Notes to the Financial Statements

FAYETTE COUNTY DISASTER RECOVERY TEAM
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
Public Support, Revenues, and Reclassifications			
Client Contributions	\$ 1,573	\$ -	\$ 1,573
Direct Public Support	170,604	-	170,604
Grant Support	49,800	3,350,000	3,399,800
Interest Income	6,895	-	6,895
Grant: Central Texas Food Bank	126,439	-	126,439
Net Assets Released from Restrictions	954,782	(954,782)	-
 Total Public Support, Revenues, and Reclassifications	 \$ 1,310,093	 \$ 2,395,218	 \$ 3,705,311
 Expenses			
Program Expenses	\$ 675,608	\$ -	\$ 675,608
Management & General	26,572	-	26,572
Fundraising	-	-	-
 Total Expenses	 \$ 702,180	 \$ -	 \$ 702,180
 Changes in Net Assets	 \$ 607,913	 \$ 2,395,218	 \$ 3,003,131
 Net Assets as of Beginning of Year	 \$ 224,910	 \$ 150,742	 \$ 375,652
 Net Assets as of End of Year	 \$ 832,823	 \$ 2,545,960	 \$ 3,378,783

See Accompanying Notes to the Financial Statements

FAYETTE COUNTY DISASTER RECOVERY TEAM
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Activities:

Change in Net Assets	\$ 3,003,131
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	1,861
Decrease in Receivables	15,000
Increase in Grant Receivables	(72,470)
Decrease in Inventory	25,071
Increase in Payables	26,381
Increase in Payroll Liabilities	7,017
Net Cash Provided by Operating Activities	\$ 3,005,991

Investing Activities:

Purchase of Fixed Assets	\$ (707,059)
Purchase of Client Building	(98,656)
Net Cash Used by Investing Activities	\$ (805,715)

Financing Activities:

Net Cash Used by Financing Activities	\$ -
Net Increase (Decrease) in Cash And Cash Equivalents	\$ 2,200,276
Cash and Cash Equivalents - Beginning of Year	\$ 340,906
Cash and Cash Equivalents - End of Year	\$ 2,541,182

See Accompanying Notes to the Financial Statements

FAYETTE COUNTY DISASTER RECOVERY TEAM
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2018

	Program Services	Management & General	Fundraising	2018 Memorandum Totals
Food Gift Cards	\$ 53,000	\$ -	\$ -	\$ 53,000
Gas - Employee Reimbursement	78	-	-	78
Client House Costs	470,565	-	-	470,565
Homeless Housing Assistance	2,000	-	-	2,000
Unmet Needs Assistance	1,631	-	-	1,631
Client Services - Other	69,119	-	-	69,119
Construction Supplies	1,470	-	-	1,470
Development of Hope Hill	15,752	-	-	15,752
Administrative Expenses	-	1,760	-	1,760
Advertising and Promotion	-	1,301	-	1,301
Auto and Truck Expense	-	2,928	-	2,928
Bank Service Charges	-	20	-	20
Computer and Internet	-	2,087	-	2,087
Depreciation Expense	-	1,861	-	1,861
Employee Salaries	42,650	11,091	-	53,741
FCDRT Plumbing	100	-	-	100
Insurance Expense	1,680	296	-	1,976
Office Supplies	2,596	458	-	3,054
Payroll Expenses	8,524	2,217	-	10,741
Postage	211	-	-	211
Telephone Expense	1,088	-	-	1,088
Travel - Employee Reimbursement	1,853	-	-	1,853
Utilities	3,190	563	-	3,753
Volunteer Appreciation	-	1,109	-	1,109
Website Fees	102	-	-	102
Other	-	882	-	882
TOTALS	\$ 675,608	\$ 26,572	\$ -	\$ 702,180

See Accompanying Notes to the Financial Statements

FAYETTE COUNTY DISASTER RECOVERY TEAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Entity

Fayette County Disaster Recovery Team, located in La Grange, Texas, is incorporated as a nonprofit corporation and is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The purpose of Fayette County Disaster Recovery Team is to assist individuals and families with recovery from natural or man-made disasters in the Fayette County, Texas area; more specifically, to rebuild and repair homes affected by disasters and to provide for any other unmet needs for uninsured and underinsured low income individuals and families. Fayette County Disaster Recovery Team can have up to nine members on the Board of Directors as its governing body.

B. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP") as defined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

C. Net Asset Classification

The net assets (assets minus liabilities) and the operating activities of Fayette County Disaster Recovery Team are reported based on the existence or absence of donor-imposed restrictions in two categories as follows:

Without Donor Restrictions – Net assets that are not restricted by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Organization or at the discretion of the Board of Directors for the Organization's use.

With Donor Restrictions – Net assets that are subject to donor-imposed stipulations, which limit their use by the Organization to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Also included in this category are stipulations permanently imposed by the donor. Those net assets are not available for use in operations and limitations neither expire by fulfillment of a specific purpose and/or the passage of time.

FAYETTE COUNTY DISASTER RECOVERY TEAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Basis of Accounting

The financial statements of Fayette County Disaster Recovery Team are prepared using the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned, contributions in the accounting period when the contributions (including unconditional promises to give) are received, and expenses in the accounting period in which the liability is incurred, if measurable.

E. Estimates

Preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. Items for which estimates may be necessary include the amount receivables which may not be collectible and the service lives and salvage values of depreciable assets. Estimates also include the likelihood of loss and potential loss amount from contingencies, such as disallowed costs under grant programs and any potential litigation.

F. Cash and Cash Equivalents

Cash and cash equivalents reported in the statement of cash flows represents the organization's checking accounts.

G. Receivables

Receivables are reported on the balance sheet net of any allowance for estimated uncollectible amounts. There were no estimated uncollectible amounts at the end of the year.

H. Functional Allocation of Expenses

Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. A portion of management and general costs that benefit multiple functional areas have been allocated based on the proportion of full-time employee equivalents allocated to that program service. Costs that are not readily allocable to any program service are allocated entirely to management and general.

FAYETTE COUNTY DISASTER RECOVERY TEAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

I. Property, Plant and Equipment

All fixed assets are recorded at cost or at estimated historical cost if the actual cost cannot be determined. Donated fixed assets are recorded at their estimated fair market value on the date donated. Repairs and maintenance expenses are expensed when incurred and major replacements are capitalized. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from 5 to 30 years. There were no fixed assets at the end of the year.

J. Income Taxes

The Organization is a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code except for unrelated business income. No provision for taxes has been made in the accompanying financial statements.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to financial statements and therefore no adjustments have been included in the financial statements for 2018.

K. Recently Issued Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payment in the statement of financial position. Interest of the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Organization is currently evaluating the impact the standard will have on its financial statements.

L. Recently Adopted Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the previously required three classes. The

FAYETTE COUNTY DISASTER RECOVERY TEAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. Entities are also required to provide enhanced disclosures about liquidity, board designated amounts, and expense by both their natural and functional classification. During the year ended December 31, 2018, management implemented the new standard, the effect of which is reflected on the financial statements and within the footnotes.

M. Contributions

Contributions received are recorded as revenues with or without donor restrictions, depending on the existence and/or nature of any donor-imposed stipulations. If a restriction expires in the same reporting period in which the support is recognized, that contribution is reported as an increase in net assets without donor-imposed restrictions. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction.

NOTE 2: CASH

Deposits were with several banks and as of year-end, these deposits exceed FDIC coverage by \$ 1,292,769 (Category 3) in the aggregate of demand and time deposits. At December 31, 2018, the carrying amount of the organization's deposits was \$ 2,541,182 and the bank balance was \$ 2,542,769.

The collateral pledged is represented by specific identifiable investment securities and classified as to credit risk by the three categories described below:

- | | |
|--------------|---|
| Category 1 - | Insured by FDIC or collateralized with securities held by the organization or by its agent in its name. |
| Category 2 - | Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the organization's name. |
| Category 3 - | Uncollateralized. |

FAYETTE COUNTY DISASTER RECOVERY TEAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3: GRANT ACCOUNTS RECEIVABLE / REFUNDABLE ADVANCES

Fayette County Disaster Recovery Team participates in certain grant award programs which are considered to be conditional cost reimbursement awards. Revenues are earned only as grant allowable costs are incurred. Receivables are recorded for allowable costs which have not been reimbursed as of year-end. All accounts receivable are expected to be collected; therefore, no amounts have been included in these financial statements for reserves for doubtful accounts.

Receivable at December 31, 2018:

Texas Central Food Bank	\$ 72,470
Total Receivable	<u>\$ 72,470</u>

NOTE 4: CONCENTRATIONS OF FUNDING SOURCES

Fayette County Disaster Recovery Team receives a large portion of its funding from disaster type granting agencies. As such, Fayette County Disaster Recovery Team is subject to the business risk that the loss of funding from these sources could be significant to the overall operations of the organization.

NOTE 5: LIQUIDITY AND AVAILABILITY OF RESOURCES

As of December 31, 2018, the Organization's financial assets available within one year for general expenditure are as follows:

Cash	\$ 2,541,182
Grants Receivable	<u>72,470</u>
Total financial assets available within one year	2,613,652
Less amounts unavailable for general expenditure within one year due to:	
Restrictions by donors as to their use	<u>(2,545,960)</u>
Total financial assets available to management for general expenditure within one year	\$ <u><u>67,692</u></u>

NOTE 6: DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through the date of the report, the date the financial statements were available to be issued, and no events have occurred from the statement of financial position date through that date that would impact the financial statements.

FAYETTE COUNTY DISASTER RECOVERY TEAM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7: PROPERTY AND EQUIPMENT

		Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
<u>Assets</u>					
Land	\$	-	\$ 499,687	-	\$ 499,687
Construction in Progress		-	194,963	-	194,963
Vehicles		-	12,409	-	12,409
Total Property & Equipment	\$	-	\$ 707,059	-	\$ 707,059
<u>Accumulated Depreciation</u>					
Vehicles	\$	-	\$ 1,861	-	\$ 1,861
Total Accumulated Depreciation	\$	-	\$ 1,861	-	\$ 1,861
Total Assets-Net	\$	-	\$ 705,198	-	\$ 705,198

Total depreciation expense for the year totaled \$1,861.

NOTE 8: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were restricted for the following purposes:

Expenses stipulated by donor \$ 2,545,960

Total net assets with donor restrictions \$ 2,545,960

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

Purpose restriction accomplished \$ 954,782

NOTE 9: SAMARITAN'S PURSE – HOPE HILL

Samaritan's Purse being a disaster recovery organization saw a need in Fayette County and in conjunction with MDS wanted to help in our recovery. After hearing about the Hope Hill project, Samaritan's Purse verbally agreed to fund recovery efforts related to Hurricane Harvey, including infrastructure and construction costs for Hope Hill subdivision, as well as repair and rebuilding of homes for flood victims. During 2018, Samaritan's Purse deposited \$3,000,000 into Organization's operations account.

NOTE 10: SUBSEQUENT EVENT

In 2019 Samaritan's Purse agreed to provide a construction manager and complete the development of the Hope Hill subdivision project, including the building of the infrastructure for the entire neighborhood and the subsequent construction of 30+/- homes. Fayette County Disaster Recovery Team will return the unused portion to be used to fund remaining infrastructure and building costs. This amount is still to be determined. The ownership and control of the Hope Hill subdivision will remain with Fayette County Disaster Recovery Team.